



Director of
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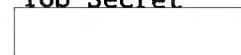
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UK-ARGENTINA: New Proposals

//British Foreign Secretary Pym will present a new peace proposal in Washington today, which Buenos Aires probably will find unacceptable in its present form.

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//The Thatcher government reportedly has developed a plan to resolve the Falklands crisis, which Pym will present to Secretary of State Haig today. According to press sources, the plan calls for Argentine troops to be withdrawn and the UK to resume administration of the islands for an interim period. Evidently the residents of the islands would be given the option of accepting Argentine sovereignty during this period, with safeguards for their way of life guaranteed by Buenos Aires. If Argentine sovereignty is accepted by the majority, those who disagree would be given the option of repatriation to the UK.//

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Comment: //This proposal probably is designed to show the Thatcher government's determination to find a peaceful solution to the crisis and to put Argentina on the defensive. London may hope that recent events have convinced the Falklanders that eventual Argentine sovereignty is probably inevitable, but the government and most backbenchers will insist on the islanders' right to reject rule by Buenos Aires. Prime Minister Thatcher probably hopes Buenos Aires will be forthcoming on withdrawal and self-determination but believes she will be in a better position to justify military action if, as London expects, Argentina rejects the plan. Thatcher may be more flexible on the details of an interim administration.//

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//President Galtieri might accept an interim period of British rule, but only if ultimate Argentine sovereignty over the islands is assured beforehand. He already has stated that the islanders' way of life would be respected, but any referendum that might be used to challenge Argentina's absolute control would probably be unacceptable.//

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London's Diplomatic Position

//Pym announced to Parliament yesterday that the UK would not engage in military action as long as negotiations are in progress. He quickly qualified that statement, however, by saying that the use of force cannot be ruled out.//

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Comment: //Pym's ambivalence over the use of force indicates it is becoming increasingly difficult for the UK to strike an acceptable public balance between a willingness to negotiate and the threat to use military action. If he did not amend his original statement he would have contradicted earlier statements by Thatcher and Defense Secretary Nott and given the Argentines the impression that London would not enforce the maritime exclusion zone.//

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Reactions in Argentina

In Buenos Aires, government officials and the press blamed the US for what they believed was the breakdown in the negotiations with Haig. Foreign Minister Costa Mendez has said that Argentina will make no further concessions, and other officials have accused the US of siding with the British and precipitating the collapse of the negotiations.

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Costa Mendez has called for the consultative arm of the OAS to meet on Monday to discuss what action should be taken against the UK within the framework of the Rio Treaty.

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Comment: //The Argentine comments are aimed at trying to demonstrate flexibility. The decision to wait until Monday for the OAS meeting will allow diplomatic negotiations to continue and also give the Argentines time to consolidate support for Rio Treaty initiatives. London will expect the US to blunt any Argentine effort to consider the treaty and, failing that, to vote against invoking it.//

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British Military Developments

//The US defense attache in London reports that the 2nd Parachute Battalion will be leaving to join the British task force aboard a civilian transport in the next day or so. Meanwhile, the British Defense Ministry reportedly has announced that new Sting-Ray antisubmarine torpedoes were being introduced ahead of schedule and would be fitted to ASW helicopters operating from the aircraft carriers Invincible and Hermes now operating in the South Atlantic and to long-range Nimrod reconnaissance planes--some of which are operating from Ascension Island.//

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Comment: //With the departure of the 2nd and 3rd Parachute Battalions, the bulk of the Royal Marines, and substantial elements of the Special Air Service and Special Boat Service units, the British will have sent virtually all of their quick reaction forces to join the task force.//

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//The design of the Sting-Ray allows for simple installation aboard aircraft, helicopters, and surface ships, and the capability of the system to operate in shallow water would make it particularly useful in operations off the Falklands.//

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Argentine Economic Situation

//The government has announced it is suspending cash payments on "interest, dividends, and technical assistance" to investors outside the country, and it has ordered that the transfer of profits from foreign investment be paid in Argentine government external bonds.//

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Comment: The successful efforts of Argentine banks to increase their liquidity and the satisfactory level of foreign exchange reserves should enable Argentina to meet its financial requirements over the next few months. There may be a liquidity problem later this year, however, if Argentina does not secure new medium-term financing.

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//The restrictions on cash transfers outside the country is aimed at easing potential hard currency shortages.//

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ISRAEL-EGYPT: Sinai Withdrawal on Schedule

Israel's decision yesterday to reiterate publicly its commitment to withdraw from the Sinai appears to ensure that the pullout will take place on schedule, but the two countries have yet to agree on the exact location of the final border.

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The Israeli cabinet voted unanimously to proceed with the withdrawal on Sunday after receiving a letter from President Mubarak restating Egypt's support for the Camp David peace process. Egypt will open a Consulate in Elat today, and Israel will open one in Alexandria. Mubarak plans to make a major speech to his parliament on Monday outlining policy in the aftermath of the withdrawal.

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Several border demarcation problems remain unresolved, the most serious of which centers on the disputed Tabah area near Elat. Israel says it will not evacuate the disputed areas.

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Comment: Israel's largely insignificant or unfounded allegations of Egyptian military violations in the Sinai and its suggestions that the withdrawal might be postponed frustrated and angered the Egyptians. Although Egyptian officials will be embittered further by the Israeli airstrikes on PLO targets in Lebanon, they will avoid actions that could imperil the withdrawal. The current strains in relations will make it more difficult to resolve the border issues and to make significant progress in future autonomy talks.

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ISRAEL-LEBANON: Palestinian Response to Airstrikes

//The Palestinians are reacting cautiously to Israeli airstrikes yesterday, but radical pressure on PLO leader Arafat probably will force him to retaliate at some point.//

//The Israelis, citing a number of recent alleged PLO cease-fire violations, struck at camps south of Beirut belonging to Fatah, the largest Palestinian group, and the hardline Popular Front for the Liberation of Palestine - General Command. According to Lebanese press sources, the raids resulted in 25 dead and 80 wounded.//

//During the attacks, Israeli aircraft downed two Syrian MIGs and reportedly also hit Syrian radar facilities south of Beirut. A senior Israeli official told the press that the limited air attacks were a "warning operation" and that Israel intended to continue honoring the cease-fire unless the PLO violated it again.//

Arafat called a meeting of the Palestinian military command and sent a message to the UN Security Council. Palestinian leaders reportedly told Lebanese officials, however, that the PLO did not plan to respond to the attacks.

Comment: *//Arafat has attempted to maintain the cease-fire and probably does not want to risk a major Israeli attack by retaliating now. He would prefer to use the Israeli attacks to gain additional diplomatic support for the PLO.//*

//Radical pressure on Arafat to respond probably is growing, however, and he may eventually feel compelled to permit an attack in the West Bank or some other response in order to preserve his position. Moreover, Arafat's limited control over radical groups may not allow him to prevent them from launching terrorist attacks, including one against the US Embassy in Beirut.//

//The Syrians are unlikely to retaliate for the loss of their aircraft. The incident, however, will make Syria's leadership more nervous over Israeli intentions and may encourage them to reinforce their units in Lebanon.//

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IRAN: Clerical Power Struggle

Radical clerics have taken a major step toward discrediting their rivals by implicating the widely respected Ayatollah Shariat-Madari in coup plotting.

Shariat-Madari had become the symbol of moderate domestic opposition to the Khomeini regime. These radicals also want new purges of the Assembly and the Army because of the alleged involvement of politicians and military officers in subversive plots. On Sunday, Khomeini reiterated forcefully earlier strictures against members of the armed Forces joining political groups, including the regime's Islamic Republic Party.

These radicals are members of three groups--a party faction associated with President Khamenei, another with Assembly Speaker Rafsanjani, and the clerical activist group in Qom. These three loose groups advocate land reform, nationalization of trade, and extensive social welfare programs controlled through the mosques. The USSR, via a radio station beamed at Iran, and the Tudeh Communist Party have given strong backing to the radicals.

The even more loosely organized moderate clerical factions are associated with the most senior ayatollahs, who question clerical dominance, especially Khomeini's supreme powers. Moderates advocate the use of Western-trained Iranian experts, severe restrictions on Tudeh activity, and restraint in purging the military and security services. Their strength has been increasing, and they have been able to modify or stall implementation of major radical programs.

Comment: Khomeini prefers to balance the strength of clerical factions and is not likely to allow the moderates to be completely submerged. The dispute has, however, disrupted the process of arranging for the succession to Khomeini expected to have begun late this month. The regime has given no indication when or how the succession process will be resumed.

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NAMIBIA: Status of Insurgency

The recent increase in guerrilla activity in northern Namibia probably will lead to an enlargement of South African military operations in southern Angola.

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Two 50-man groups of South-West Africa People's Organization guerrillas infiltrated last week into white farming areas of northern Namibia. The South African military reportedly has killed or driven away most of the group operating near Tsumeb, but the other group has not been intercepted. Guerrilla activity in Ovamboland, where most SWAPO attacks have occurred, also has increased.

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The activity reverses a yearlong decline in SWAPO military attacks inside Namibia. Rainfall in the area has broken a lengthy drought that had hindered guerrilla operations.

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Comment: By sending large units into white areas, SWAPO evidently hopes to gain greater publicity and disprove claims by South Africa that it has contained the insurgency. SWAPO also believes that increased guerrilla activity will improve its bargaining position in the negotiations on Namibia.

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SWAPO, however, probably will be able to resume only the low-level operations it conducted before the large South African incursions last year into southern Angola. The South Africans will respond aggressively to any increase in guerrilla activity, particularly if it is aimed against whites.

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Most South African cross-border operations have failed to inflict large casualties on SWAPO forces, which number about 6,000. As a result, Pretoria may soon decide to move deeper into Angola in search of guerrilla bases.

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ITALY: Government Wins Reprieve

The Socialist Party decided yesterday not to push for Treasury Minister Andreatta's resignation following a meeting between party leader Craxi and President Pertini. The President insisted that a crisis at this time is not in the country's interest, and the Socialists have agreed to let matters cool until the Christian Democrats have completed their congress in early May. The Socialists, however, have renewed their demand that the leaders of the governing coalition meet to review the government's program immediately after the congress. One Socialist Party official has told US Embassy officers that he expects such a meeting to yield a "guided crisis" later in May that will lead to the ouster of the Spadolini government.

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Comment: The Socialists' action substantially reduces the chances of a national election later this spring. If they stick to their hard line after the Christian Democrats' congress, however, a test in the fall is probably inevitable.

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USSR-IRAQ-IRAN: Soviet Commentary on the War

The National Voice of Iran, the Soviet-controlled Persian-language radio station, on Tuesday called on Iraq to take "serious and realistic" steps to end the war with Iran. The broadcast cited Iran's recent military successes as demonstrating that acceptance of Iranian conditions is Iraq's "only way out."

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Comment: Although this is the first time any Soviet media outlet has made an explicit call for Iraq to capitulate, the appeal has not been carried in Soviet propaganda directed at Iraq. Recent official media commentary on the conflict has held to Moscow's calls for a negotiated settlement. This suggests that the appeal is a tactical adjustment designed to win favor with Tehran.

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